

about one particular chart that I think is a very helpful illustration because this kind of goes to the heart of my point. My point is that the job creation we desperately need right now is only going to come from the private sector. The sustainable jobs that lead to solid economic growth, permanent jobs, wealth creation, and real opportunity are going to come from the private sector, and that is driven by private investment. The more government spends, the more it crowds out private investment and precludes the very engine of economic growth and job creation we need.

The chart behind me is a great illustration of this. It is provided by John Taylor, a very well regarded economist whose work is highly respected and widely circulated. In this chart, Mr. Taylor illustrates that the unemployment rate is inversely related to private investment.

So when the private sector is making investments—and this can be investments in new business or in capital, but when private money is being put to work by business, as the percentage of the economy, the amount of this investment declines as a percentage of our economy, we see the unemployment rate go up.

When we see private investment growing, as it did for a sustained period from the early 1990s until the early part of this decade, we see the steady upward trend, and it was driving down the unemployment rate. It is clear that as this line goes down—the private investment line—the unemployment rate goes up. When it turns around and private investment as a percentage of our economy grows, the unemployment rate declines—not just for this period—and you can see the trend continues.

Again, we have another period after about 2000 of declining private investments as a percentage of GDP and a rising unemployment rate. Now that we have seen in recent years a long, pretty precipitous decline in private investment as a percentage of our economy, we see this huge increase in the unemployment rate.

These lines—at a quick glance, you can see it—are almost a mirror image of each other. This is a great illustration of a simple and well-known fact: It is private investment that drives job growth.

When the government gets too big, as ours is today, and when it spends too much money, as this one does, and when the deficit gets too big, it crowds out and precludes the private investment that drives job growth. That is why it is so important that we get spending under control. That is why it is so important that we pass a continuing resolution that will fund the government for the rest of the year, at the lowest possible level we can reach an agreement on, because lower spending is going to drive job growth.

There are several other aspects to this fact that lower spending will lead to greater job growth. Everybody

knows that higher government spending eventually leads to higher taxes. We are at this point now where we have this huge shortfall in the revenue relative to the amount of money that is being spent. So any potential investor wonders, how much are taxes going to go up? When will they go up? Are they going to go up on me, or on my investment, or on my labor?

These are the uncertainties we in Washington have introduced into the economy. But everybody who is contemplating an investment has to wrestle with this question. Uncertainty is the enemy of private investment and job growth.

The other possibility is that instead of a tax increase, maybe there will be a debt crisis. We are borrowing money on such a huge scale, it is not at all clear that we can continue that. I guarantee we cannot continue this indefinitely. I don't know how much longer it can continue. That is a very dangerous thing to flirt with—ever higher levels of debt and the expectation that lenders will lend us money when there are such large percentages of our economy.

There is another variable in the mix, and that is the danger that the central bank, the monetary authority, will decide maybe the easiest way out of this mess is to print money.

This is a road that has been gone down many times before in many parts of the world. It always leads to a disaster. Monetizing the debt is the way many governments have chosen to deal with excessive spending. I am very worried now about the policy of the Fed, and QE2 is the policy by which they are currently monetizing more than half of the deficit we are running this year. That is a dangerous policy. Combine that with the beginnings of this fiscal imbalance and imprudent policy, together with this very accommodative monetary policy, and this is a very dangerous mix.

What we can do in the short run, and what we ought to be doing right now, is addressing the spending problem that is at the heart of all of it. It is driving this. In my view, that starts with the continuing resolution that will fund the government for the remainder of this year. We passed one that will fund the government for the next 3 weeks, but I wish it had been for the remainder of the year. We have no time to waste; we have to get this resolved and we have to move on to a budget that brings our spending and revenue into balance, without raising taxes and ruining economic growth.

This should be the big priority for this body. I hope when we get back from this recess, this is what we will be working on—the spending measure to close out this fiscal year, a budget that will put us back on a sustainable path, and pro-growth policies that will lead to the job creation we need.

With that, I yield the floor.

The PRESIDING OFFICER (Ms. KLOBUCHAR). The Senator from New Mexico is recognized.

Mr. BINGAMAN. Madam President, I ask unanimous consent to speak for 15 minutes as in morning business.

The PRESIDING OFFICER. Without objection, it is so ordered.

#### OIL AND GASOLINE PRICES

Mr. BINGAMAN. I want to take a few minutes to discuss high oil and gasoline prices. I think when we get home to our respective States this next week, we are going to find that many of the people we represent are understandably concerned about the rising price of gasoline at the pump. They have good reason to be concerned.

Senator MURKOWSKI and I hosted a Senate-wide briefing on Tuesday afternoon with three top oil industry analysts. We had Dr. Richard Newell, the head of the Energy Information Administration; Mr. Bob McNally, who was part of the Bush administration's White House team on energy markets; Mr. Frank Verastro, who is the head of the Energy and National Security Program at the Center for Strategic and International Studies. They gave us their insights and explanations as to what is causing the rise in the price of gasoline at the pump.

Let me go through four charts to try to summarize what they told us at that briefing. I think it is very useful information for my colleagues, and anybody else who is interested in the subject.

This first chart is labeled "Gasoline Prices Reflect the Cost of Crude Oil." A fundamental truth, which they all subscribe to, is that the primary driver of the price of gasoline at the pump is in fact the price of crude oil on world markets. This chart demonstrates that. It shows the price trends since 2005 for gasoline; that is the yellow line on the chart. It shows the price of crude oil; that is the green line. While some past gasoline price spikes can be attributed to phasing out the additive MTBE, for the last 3 years gasoline price movements have tracked global crude oil prices. So the idea that our gasoline prices are high today because of some particular action the Obama administration has taken is not supported by the facts.

The reasons for the current crude oil price increase are equally straightforward. In listening to each of the analysts highlight the factors he thought were important in explaining why crude oil prices are at the levels we have not seen since 2008, I was struck by two explanations advanced in many of the political speeches in Washington and around the country about oil and gas prices. Frankly, the conclusions, or the allegations, or the arguments made in those political speeches did not comport with what the analysts told us.

First, none of the experts who talked to us highlighted the administration's permitting process in the Gulf of Mexico as being a significant factor in determining world oil markets. I asked Dr. Newell whether the current pace of permitting had any implication for the

Energy Information Administration's short-term forecast. His answer was refreshingly direct; he said, "No." I will point out that neither of his co-panelists disagreed with that conclusion.

Second, any anticipated Environmental Protection Agency regulation of greenhouse gas emissions at refineries was not included in any of the presentations as a driver behind the current increase in prices. In fact, more broadly, neither the EPA nor any kind of U.S. regulations were discussed as important to understanding world oil prices. I know some of my colleagues remain concerned that we have not built a new refinery in the United States since the 1970s. I assure them that the data suggests that their concerns are not well-founded at this particular point. Demand for refined products is believed to have peaked in the United States. At the moment, 17 percent of our existing refining capacity in this country stands idle, and that is not because of environmental regulations; it is because demand for refined products has come down. In my opinion, it doesn't make a lot of sense to be debating whether we need new refineries, when we are not using the capacity we already have in existing refineries.

Having explored those factors that are not influencing oil price movements, let me discuss factors that are contributing to increased oil and gasoline prices.

The bulk of the discussion at this briefing we had on Tuesday about high oil prices was about what is going on in the Middle East and North Africa. This chart depicts what happened to the price of oil. This says "U.S. Oil Prices, January through March 2011." From the beginning of this year, until the current time, I think it is obvious that the major force driving oil prices is the instability we have seen in the Middle East and North Africa.

When the world's key oil-producing and exporting region—which is the Middle East and North Africa—is unstable, world oil markets are also unstable.

When political unrest threatens major chokepoints in the world oil transit routes, world oil markets react as they have.

When a member of OPEC, the Organization of Petroleum Exporting Countries, stops exporting oil, which has virtually occurred in the case of Libya, world oil markets react.

Also, when there are fears that a nearby neighbor, and a close ally of Saudi Arabia, home of the world's largest oil production capacity, begins to have political upheavals, that raises tensions in world oil markets as well.

So as you can see from this chart, oil prices are very sensitive to these kinds of developments. Oil prices went up as regime change was realized in Egypt, amid concerns about access to the Suez Canal. Prices quickly came down again as it looked increasingly unlikely that traffic through the canal would be disrupted.

Then Libya became the first major oil-exporting country to be affected by the wave of popular uprisings spreading throughout the Middle East and North Africa, and oil prices reacted immediately, indicating market concerns that the situation might get worse before it got better. It, indeed, has worsened. We have virtually all Libyan oil exports terminated or stopped or suspended. Sanctions against Qadhafi's government, combined with chaos on the ground in Libya, have driven Libya's exports to near zero. There is little hope for improvement, so far, in the near future.

We are just beginning to face a potential further escalation of tensions in the region. On Monday, of course, Saudi Arabia sent troops across the causeway onto the island neighbor Bahrain. This adds to world tension.

World oil markets have reacted to this tension with expectations—and I am avoiding using the more politically loaded term "speculation," although I do believe that word is appropriate—that the situation is at risk of getting worse before it gets better.

Into this uncertain environment, we now have a new source of even greater uncertainty. The earthquake that has plagued the island nation of Japan, the ensuing tsunami, and the nuclear disaster that struck Japan—all of that has introduced the possibility that the world's third largest economy might be consuming less oil in the near future than was earlier assumed.

Worldwide markets have again reacted, this time by falling to under \$100 per barrel as we try to better understand the size and the scope of the disaster our Japanese friends and allies are facing.

What can Congress do to help ease the burden of high prices for U.S. consumers when oil prices are determined mostly outside our borders, as I think they clearly have been?

A realistic, responsible answer has to be focused on becoming less vulnerable to oil price changes over the medium and the long term. By doing so, we become less vulnerable by using less oil.

I believe increased oil production can play a significant role in world oil markets. The United States has fairly modest resources compared to much of the world. Our base of proven reserves is small. Many people have observed that the United States has less than 2 percent of the world's proven reserves.

Despite what economists and analysts agree is a relatively modest resource oil base, the oil and gas industry in the United States has led the world in developing state-of-the-art technology for exploration and production. Our companies are continuing to get more oil out of the ground and into world oil markets than any of us could have believed was possible. To use a boxing metaphor, we are punching above our weight in oil and gas production thanks to the technology lead our companies have developed.

According to the Energy Information Administration, oil production in

North Dakota has risen by 150 percent since 2005. That is all from the Bakken shale formation. This is due to the advent and application of new drilling technology. It is a success story that we all can celebrate.

Let me talk about this third chart. Oil production is up strongly across the United States in the last few years. This chart demonstrates that current increases in oil production are a significant change from what we have seen in the last several decades. We have not had to repeal any environmental laws to achieve this or change the protections that apply on public lands.

Let's not forget that even with U.S. production strongly increasing oil prices have also been increasing. While domestic oil production plays an important role in ensuring the energy security of the country, its contribution to the world oil balance is just not sufficient to bring global oil prices down. It is, therefore, not a complete answer to the high oil and gas prices that tax our consumers and threaten our country's economic health.

This leads me to conclude that the key to reducing our vulnerability to world oil prices and volatility is for us to find ways to use less oil. We need to diversify our sources of transportation fuel. We need to set ourselves on the right path, as we did when we passed the Energy Independence and Security Act of 2007. That law required us to make our vehicles more efficient and to shift toward relying more on renewable fuel.

This final chart shows the Energy Information Administration's long-term forecasts for U.S. dependence on imported oil as predicted prior to the passage of that 2007 bill, and what they now predict it is after the passage and implementation of that bill.

There are two main features of this graph that I think are noteworthy. First, prior to the enactment of this bill in 2007, the Energy Information Administration had been predicting that U.S. reliance on imported oil would continue to increase. In large part, because of the biofuels and the fuel efficiency policies that we included in that act, the latest forecast shows our reliance on imported oil probably peaked, in fact, in 2005, and is now going down and is expected to continue going down for the rest of this forecast period, which is out to year 2035.

Second, the amount of oil we now will not need to import from today to 2035—that is, the oil that we will be able to save because of the Energy Independence and Security Act we passed in 2007—amounts to about 26 billion barrels. That compares to the previous forecast.

What I am saying is, the difference between the blue line, which is the earlier projection, and the red line, when we take that out to 2035, the total oil involved there is 26 billion barrels. This amount is greater than the total U.S. proven oil reserves, which are estimated at 23 billion barrels. I hope we

can all agree this has been a significant success.

How do we continue on this path toward reducing our oil dependence? I will conclude by highlighting three areas, three key goals I hope we can focus on in the Senate in the coming weeks.

First, we need to enable further expansion of our renewable fuel industry, which is currently facing infrastructure and financing constraints.

Second, we need to move forward the timeline for market penetration by electric vehicles.

Finally, third, we need to make sure we use natural gas vehicles in as many applications as makes sense based on that technology.

Every barrel of oil we displace from the transportation sector and we, therefore, do not need to consume in the United States makes our economy stronger—not to mention our personal pocketbooks—and less vulnerable to the volatility of the current marketplace.

We need to keep drilling. We are good at that. It is helpful to have more supplies on the world market. I am not arguing against that. But at the same time, we need to recognize that the long-term solution to this challenge is to move away from such great dependence on oil. This is a strategic vision President George W. Bush, who previously had worked in the oil industry, clearly articulated in his 2006 State of the Union Address. We subsequently proved in Congress, in 2007, the year after that State of the Union Address, that we have the ability to make significant changes in our energy consumption and that it is possible to mobilize a bipartisan consensus to do so.

The bipartisan path we laid out in the Energy Independence and Security Act in 2007 is the right approach. As part of whatever bipartisan approach we take to energy in the weeks and months ahead, we need to continue moving in this same direction.

I yield the floor, and I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. FRANKEN). The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. HATCH. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

#### THE PUBLIC EMPLOYEE PENSION CRISIS

Mr. HATCH. Mr. President, I rise to speak on a matter of great importance to the economic health of State and local governments. I am talking about dangerously underfunded employee pensions.

We hear about this problem every day in States such as Illinois, California, New Jersey, and many others. It is a multitrillion-dollar problem. Let me repeat that. The underfunding of

these pensions runs into the trillions of dollars. Not billions, trillions.

How did this happen? There are two primary causes. First, governments have promised too much money in lifetime pensions; and, second, governments have not set aside enough money to pay for those pensions. The shortfall between the money that has been promised and the money set aside is called underfunding, but that is just a sterile accounting term that means we don't have enough money to pay the bills. Where I come from, that is called being broke. It is bad enough when you go broke because you have been irresponsible with your own money. Yet it is a tragedy when governments go broke being irresponsible with taxpayer money.

That is what I fear we are watching as this public pension crisis unfolds. There have been many studies in recent years of our public pension crisis. There is no question about whether this crisis exists. The only question is the magnitude of the crisis.

One prominent study by scholars at the Kellogg School of Business at Northwestern University estimates that public pension plans are underfunded by over \$3 trillion. That is a lot of money. An analyst at the Brookings Institute says public pensions are \$2.5 trillion in the red. A study published last month found that all by itself, California has a \$240 billion pension shortfall. You heard that right. California alone has a pension debt of \$¼ trillion. Some have estimated that Illinois is in even worse financial shape.

If the States and localities do not act aggressively to address these shortfalls, then the question will not be whether the States will become insolvent but when? Regardless of whose numbers and which study gets the closest to the mark, there is no denying that public employee pensions face a multitrillion-dollar shortfall in the aggregate.

Though none will deny this shortfall. Some will seek to shift the blame and shirk responsibility for this crisis. I want to nip in the bud one of the arguments of those interests who would prefer to ignore this crisis. They will argue this is not a problem of too many pension promises and the underfunding of those promises. They will try to divert attention from the fact that public employee pensions have too often not been funded on a sound basis. Instead, they will say the pension funding problem is owing to the 2008 economic crisis and the big businesses that, they say, caused it. This is way off the mark. But don't trust me, trust the numbers. This pension shortfall existed before the recession, and an attempt to lay blame at the feet of Wall Street or big business or some other group is just plain blame shifting.

One aspect of the problem is that governments have been slow—and public employees have been resistant—to transitioning to the types of retirement plans that private sector workers

have been living with for years. The rest of the world has moved toward 401(k)-style plans, called defined contribution plans. In these plans, costs are lower and more predictable. They fit well with an increasingly mobile and dynamic workforce. Yet governments have remained wedded to expensive, traditional pension plans for far too long.

These old-style traditional pension plans—defined benefit plans—owe a monthly payment for life to each employee regardless of how much money the government has set aside, regardless of how well the pension assets have been invested, and regardless of whether the ratio of active workers to retirees has remained stable. For most private companies these plans proved simply unsustainable, and over time they moved toward more flexible retirement plans for employees. Yet as usual, government is slow. It is slow to innovate and slow to adapt.

So even though these defined benefit plans had the potential to cause enormous financial problems for governments, governments stuck with them. Private companies learned long ago that traditional pension plans are too expensive for most businesses.

In 1985, 80 percent of medium and large private companies had a traditional pension plan. Today, just 30 percent have a traditional plan. By contrast, 84 percent of State and local government workers are covered by high-cost traditional pension plans. And government is not just any employer. Governments only exist because of taxpayers.

Ultimately, taxpayers are the employers of government employees. Yet these governments are living in the past, playing irresponsibly with taxpayer money, and leaving taxpayers to foot the bill for too many lifetime pension promises.

So why do these lifetime pension guarantees continue? There are many reasons, but at the top of the list is the unique character of government as an employer. Private employers moved away from traditional pensions to more affordable 401(k)-style plans because they can't stay in business if they ignore economic reality. Yet governments have kept their unaffordable traditional plans, often because public employee unions use taxpayer-funded union dues to elect State and local politicians and then ask the same politicians they just elected for costly pension deals at taxpayer expense.

When a union bargains with a private employer, employer and employee have an interest in the business continuing as a viable enterprise. If the benefits are costly and uncontrollable, the business goes under and everyone is out of a job.

But where are the interests in a negotiation between a public employee union and the person they just helped to elect to office? Where are those interests? Union bosses are sitting across the table from the Governor of the